


ANNUAL
REPORT

1978

NOTICE OF MEETING
INFORMATION CIRCULAR

C
HIMO
GOLD MINES
L I M I T E D

FOR THE YEAR ENDED DECEMBER 31, 1978



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DIRECTORS

M. P. Connell Toronto, Ontario
D. J. Hains Toronto, Ontario
J. C. Lamacraft Toronto, Ontario
R. J. Metcalfe Toronto, Ontario

OFFICERS

M. P. Connell Chairman of the Board
J. C. Lamacraft President and Chief Executive Officer
J. A. Patterson Secretary-Treasurer
J. S. Adams Assistant Secretary-Treasurer
J. A. Kalman Assistant to the President

HEAD OFFICE

SUITE 1010, 85 RICHMOND STREET WEST
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

BANKERS

THE TORONTO-DOMINION BANK
Toronto, Ontario

SOLICITORS

DAVIES, WARD & BECK,
Toronto, Ontario

ANNUAL MEETING

June 18, 1979
3:00 p.m.
Dufferin Room
The Sheraton Centre Hotel
123 Queen Street West
Toronto, Ontario

Chimo Gold Mines Limited

Directors' Report to Shareholders

To the Shareholders,
Chimo Gold Mines Limited

Your Directors are pleased to submit the Company's Annual Report for the year ended December 31, 1978.

Consolidated net income for the year amounted to \$307,664 or \$0.09 per share compared to \$178,291 or \$0.05 per share in 1977.

Royalty income received from The Iron Bay Trust for 1978 amounted to \$545,000 versus \$524,000 in 1977. The Trust owns an 80% interest in an iron property known as the Griffith Mine, which is leased to The Steel Company of Canada, Limited until April 30, 2040. The lease agreement provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets, and the royalty rate has increased from \$1.10 per ton at the commencement of 1978 to the current rate of \$1.30 per ton.

1978 was the third complete year of field work for the Conwest Canadian Uranium Exploration Joint Venture in which your Company currently holds a 1⅞% equity interest and a 0.45% gross royalty interest. Exploration effort continued to focus on two well-located and highly prospective Saskatchewan claim blocks aggregating 330,000 acres along the southeast edge of the Athabasca Basin. In excess of 31,000 feet of diamond drilling were completed during the year and a programme of ground geophysics and diamond drilling is continuing. Eldorado Nuclear Limited has, effective January 1, 1979, exercised its option to increase its equity in the Joint Venture

to 50% and to be the Manager. Budgets for exploration on the Joint Venture properties for the next two years are anticipated to aggregate in excess of \$5,000,000. The potential significance of this project to your Company remains highly important.

During 1978, Chimo also continued its participation in the Conwest-managed mineral exploration programme pursuant to an agreement with several related companies, the details of which are set out elsewhere in this report. The total amount expended during 1978, exclusive of uranium but including participation by third parties on projects managed by Conwest, was \$1,311,000.

1978 was the first complete year of operations for all the units of Consortina Incorporated, the Conwest Group hotel and restaurant subsidiary in which your Company holds an 18% interest. Operating income in 1978 totalled \$1,485,000 compared to an operating loss of \$875,000 in 1977, a year which was burdened with numerous start-up difficulties and non-recurring start-up costs.

Your Company and other companies in the Conwest Group have been the major source of funds for the programme of research and development undertaken by HSA Reactors Limited since its incorporation in 1975. During 1978, the programme of research design, scale-up and application test work continued. Projected funding requirements for HSA for the next several years are beyond the scope

originally contemplated by the financing companies and consequently, subsequent to the year end, the Company has reduced its interest in HSA from 12.6% to 3% on a fully diluted basis. HSA has made interim arrangements for the funding of its continuing programme and is currently negotiating with outside parties to secure a major commitment of funds.

On Behalf of the Board,

MARTIN P. CONNELL,
Chairman of the Board,

JOHN C. LAMACRAFT,
President and Chief Executive Officer.

Toronto, Ontario,
May 10, 1979.

Mineral Exploration Interests

The Company participates to the extent of 27% in the Canada-wide mineral exploration programme managed by Conwest Exploration Company Limited on behalf of several related companies which participated on the following basis pursuant to an agreement effective January 1, 1976.

Chimo Gold Mines Limited	27%
International Mogul Mines Limited	18%
Conwest Exploration Company Limited	30%
Consolidated Canadian Faraday Limited	25%

The total amount expended during 1978 was \$1,076,000 exclusive of expenditures for uranium exploration. Expenditures by unrelated joint venturers on projects in which the above-mentioned group participates were approximately \$235,000, resulting in a total exploration exposure of \$1,311,000. Some of the more interesting projects are described as follows:

a) MacMillan Joint Venture — A large claim group in the central Yukon Territory with potential for lead-zinc-silver mineralization is being jointly explored with Essex Minerals Company. During 1978, the programme included 8,300 feet of diamond drilling in 17 holes to test a variety of geophysical anomalies. Low grade lead-zinc mineralization was encountered. Geophysical surveys completed since the year end have yielded additional drilling targets which will be tested by diamond drilling this summer field season. Conwest, Chimo and Mogul currently share a 51% interest in this project as to 34%, 10.2% and 6.8%, respectively, with Essex having 49%. Faraday has not previously participated in this project which commenced prior to 1976, but will acquire 25% of the Conwest Group interest by committing to incur expenditures equivalent to 12.5% of the total expenditures to date.

b) Bathurst Project — Conwest has carried out reconnaissance and detailed exploration in the Bathurst, New

Brunswick base metal camp since January 1976, activities being directed from a regional office in Bathurst. During 1978 exploration was confined to geological mapping and geophysical surveys of two claim groups containing known base metal occurrences, while late in the year a similar claim group was acquired by staking. Drill targets have been outlined on all three properties. Drilling is included in the plans for the 1979 season.

c) Ontario Greenstone Project — Exploration continued in three widely separated parts of Ontario for massive sulphide copper-zinc mineralization associated with acid volcanics. Two of the areas were subjected to diamond drill testing of anomalies during 1978 and this past winter without encountering significant mineralization and no further work is planned for these areas. A third claim group contains several interesting anomalies which remain to be evaluated, while reconnaissance is continuing to select new areas for detailed evaluation.

Your Company participates as to 15% in the Conwest Canadian Uranium Exploration Joint Venture, under Conwest's management. The Joint Venture continued exploration of its Saskatchewan and Quebec properties during 1978. A total of \$2,410,000 was expended, including contributions by the Saskatchewan Mining Development Corporation in respect of their one-third interest in all the Saskatchewan properties, and Denison Mines Limited on a farmed-out portion of the Saskatchewan claims. Related companies in the Conwest Group share in Conwest's 12.5% equity in the Joint Venture and the 3% gross production royalty, as follows:

International Mogul Mines Limited	35%
Chimo Gold Mines Limited	15%
Conwest Exploration Company Limited	25%
Consolidated Canadian Faraday Limited	25%

During 1978 exploration of the Saskatchewan claim blocks included

31,170 feet of diamond drilling in 131 holes, selected ground geophysical and geochemical surveys and geological mapping and continued prospecting. No significant new uranium mineralization was encountered, however, much additional work is warranted. Exploration conducted by Denison on the farmed-out lands was similarly inconclusive but is planned to continue in 1979. Total land holdings in Saskatchewan comprise approximately 330,000 acres of which about 100,000 acres are the subject of the farm-out to Denison. Subsequent to year-end exploration has resumed and a programme of geophysical surveys and diamond drilling is continuing. One new area of anomalous uranium mineralization has been encountered, the significance of which remains to be fully determined. Continued prospecting of the Joint Venture's Quebec permits in 1978 led to the discovery of yet another boulder train, this one small but containing high grade uranium mineralization. Diamond drilling is currently planned for late summer to co-ordinate with Eldorado's other activities in the area and minimize mobilization costs. Property holdings currently comprise 155,000 acres. No exploration of the Joint Venture's Newfoundland claims was carried out in 1978. Subsequent to year end, a diamond drilling programme was undertaken to test several interpreted faults which may provide suitable loci for deposition of the uranium which is so abundant in the surface water and soil. No significant concentrations have been reported from the drilling completed to date.

Effective January 1, 1979, Eldorado Nuclear Limited exercised its option to increase its equity in the Joint Venture to 50% and become the manager. Planned expenditures for 1979 and 1980 by the Conwest Canadian Uranium Exploration Joint Venture will approximate \$1,800,000 each year. Including contributions by Saskatchewan Mining Development Corporation and Denison, the total exploration exposure for 1979 is estimated to be \$2,860,000.

Balance Sheet as at December 31, 1978

ASSETS

	1978	1977
Current Assets		
Cash and short term deposits	\$ 12,273	\$ 319,777
Royalty receivable	140,000	130,000
Accounts receivable	10,208	15,265
	<u>162,481</u>	<u>465,042</u>
Investment in Mining Companies and Properties		
Shares with a quoted market value, at cost (quoted market value 1978, \$481,248; 1977, \$626,011)	405,800	495,221
Units of The Iron Bay Trust, at cost less accumulated amortization of \$117,009 (1977, \$104,943) (quoted market value 1978, \$6,500,000; 1977, \$6,000,000)	237,883	249,949
Mining properties together with expenditures thereon, at cost less amounts written off (note 2)	434,447	342,172
Machinery and equipment, at nominal value	1	1
	<u>1,078,131</u>	<u>1,087,343</u>
Investment in Consortina (note 3)	<u>1,397,760</u>	<u>589,429</u>
Other Investments , at cost less amounts written off (1977, at cost)		
Shares	55,624	121,245
Advances	140,921	35,570
	<u>196,545</u>	<u>156,815</u>
Mortgage from a Director , due in annual instalments of \$2,500, non-current portion	38,750	41,250
	<u>\$2,873,667</u>	<u>\$2,339,879</u>

AUDITOR

To the Shareholders of
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1978 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Canada
April 24, 1979

Mines Limited

(Incorporated in the laws of Ontario)

December 31, 1978

LIABILITIES

Current Liabilities

	1978	1977
Accounts payable and accrued liabilities	\$ 36,385	\$ 40,261
Term Bank Loan, since repaid	<u>230,000</u>	

SHAREHOLDERS' EQUITY

Capital Stock

Authorized		
5,000,000 Shares, par value \$1 each		
Issued		
3,371,086 Shares	3,371,086	3,371,086
Less discount	<u>1,212,167</u>	<u>1,212,167</u>
	2,158,919	2,158,919
RETAINED EARNINGS	<u>448,363</u>	<u>140,699</u>
	<u>2,607,282</u>	<u>2,299,618</u>

Commitments (note 5)

Approved by the Board

M. P. CONNELL, Director

J. C. LAMACRAFT, Director

\$ 2,873,667 \$ 2,339,879

PORT

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION Year Ended December 31, 1978

	1978	1977
Working capital derived from		
Revenue	\$ 615,200	\$ 1,219,501
Reduction in mortgage from a director	2,500	2,500
Sale of shares with a quoted market value	186,967	559,734
Term bank loan (net of repayments of \$700,000)	230,000	
	<u>1,034,667</u>	<u>1,781,735</u>
Working capital applied to		
Exploration and development of mining claims including general exploration and administrative costs	316,788	362,894
Purchase of shares with a quoted market value	97,546	34,895
Increase in investment in Consortina (net)	808,331	1,214,870
Increase in other investments (net)	110,687	53,803
	<u>1,333,352</u>	<u>1,666,462</u>
Increase (decrease) in working capital	(298,685)	115,273
Working capital at beginning of year	424,781	309,508
Working capital at end of year	\$ 126,096	\$ 424,781

Chimo Gold Mines Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1978

Revenue	1978	1977
Royalties	\$ 545,000	\$ 524,300
Dividends and interest	6,881	20,776
Gain on sale of investments	35,431	505,419
Management fees and other income	27,888	32,753
Financing charges to Consortina		136,253
	<u>615,200</u>	<u>1,219,501</u>
Expenses		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year	168,196	231,567
Corporate	14,750	14,997
Interest on term bank loan	41,567	2,572
Amortization of investment in The Iron Bay Trust	12,066	12,074
	<u>236,579</u>	<u>261,210</u>
Income before undernoted	<u>378,621</u>	<u>958,291</u>
Provision for loss on investment in Consortina		780,000
Provision for loss on other investments	70,957	
	<u>70,957</u>	<u>780,000</u>
Net Income	<u>307,664</u>	<u>178,291</u>
Retained earnings (deficit) at beginning of year	<u>140,699</u>	<u>(37,592)</u>
Retained earnings at end of year	<u>\$ 448,363</u>	<u>\$ 140,699</u>
Earnings per share	<u>\$ 0.091</u>	<u>\$ 0.053</u>

Chimo Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1978

1. Summary of Significant Accounting Policies

(a) Exploration and development and property acquisition costs

The Corporation's policy is to write off all general exploration expenditures as incurred and to capitalize the direct costs of acquisition and expenditures on mining properties which are in good standing at the year end. Upon disposal or abandonment of such interest, the net gain or loss is reflected in the statement of income.

(b) Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The Corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a unit of production basis, it is the Corporation's policy to amortize its investment on this basis over total estimated production.

2. Mining Properties Together with Expenditures Thereon

	1978	1977
Balance at beginning of year	\$342,172	\$245,025
Current year's expenditures	103,757	149,468
	<u>445,929</u>	<u>394,493</u>
Deduct		
Expenditures charged to operations ..	11,482	35,710
Expenditures reclassified as other investments		16,611
	<u>11,482</u>	<u>52,321</u>
Balance at end of year	<u>\$434,447</u>	<u>\$342,172</u>

3. Investment in Consortina

Consortina Incorporated owns and operates restaurant and hotel facilities in the Metropolitan Toronto area and is effectively owned and financed as follows:

	Equity	Financing Interest
Chimo Gold Mines Limited	18%	19.0%
Calmor Iron Bay Mines (1978) Limited	12	12.6
Conwest Exploration Company Limited	60	63.1
President of Consortina	10	5.3
	<u>100%</u>	<u>100.0%</u>

The Corporation and the other financing participants noted above are party to a number of agreements with Consortina pursuant to which the Corporation is participating in the financing of Consortina. The Corporation's investment in Consortina is comprised of the following:

	1978	1977
Shares	\$ 6,000	\$ 6,000
Cash advances		
Secured by Series A and B debentures of Consortina (Series B only in 1977)	2,099,158	1,149,158
Unsecured	72,602	214,271
	<u>2,177,760</u>	<u>1,369,429</u>
Provision for loss	780,000	780,000
	<u>\$1,397,760</u>	<u>\$ 589,429</u>

On March 1, 1978 the Corporation retired \$950,000 of Consortina's term bank loans thereby eliminating the Corporation's several liability as a guarantor of this indebtedness of Consortina. These funds are secured by a Series A debenture of Consortina.

Pursuant to the financing agreements, the Series A and B debentures of Consortina rank pari passu with debentures of each series respectively held by the other financing participants and both series are subordinate to certain long term debt of Consortina in the amount of approximately \$3,585,000. The Corporation agreed to waive interest on the cash advances for 1978.

4. Income Taxes

At December 31, 1978 the Corporation has resource expenditures and capital cost allowances of \$744,000 which are available to reduce or eliminate income taxes that would otherwise be recorded as a charge against income of future years. The tax effect of these deductions has not been reflected in the financial statements.

Approximately \$243,000 (1977, \$591,000) of deductions of this type were applied to eliminate income taxes that would otherwise have been recorded as a charge against income of the current year. Since reductions or eliminations of this nature are recurring on a regular basis over an extended period of years and are typical of the Corporation's normal business activities, they are not considered to be extraordinary in nature and are reflected as a reduction of current income taxes when realized.

5. Commitments

(a) Pursuant to an agreement dated December 1, 1975, as amended, the Corporation, Conwest, Calmor Iron Bay Mines (1978) Limited and Consolidated Canadian Faraday Limited agreed to expend in total up to \$1,500,000 annually to December 31, 1981 on certain non-hydrocarbon exploration projects. The Corporation has agreed to contribute 27% of amounts expended on projects covered by this agreement.

(b) Pursuant to an agreement dated April 15, 1976, the Corporation agreed to participate in a uranium exploration joint venture which Conwest formed on March 18, 1976. Under the joint venture agreement Conwest has agreed to participate to the extent of \$300,000 in 1979 and \$200,000 in 1980. These amounts are subject to upward adjustment based on changes in the Consumer Price Index for Canada. The amount which the Corporation has agreed to contribute is 15% of Conwest's commitment to the joint venture.

6. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$16,200 (1977, \$17,100).

Central Patricia Gold Mines, Limited pays substantially all of the remuneration of directors and senior officers of the Corporation and certain other corporations and is reimbursed by these corporations for their proportionate share. The Corporation's share of the amount so paid was \$57,820 (1977, \$83,250).

Chimo Gold Mines Limited

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS JUNE 18, 1979

NOTICE IS HEREBY GIVEN that the annual and general meeting of shareholders of CHIMO GOLD MINES LIMITED (the "Corporation") will be held in the Dufferin Room of The Sheraton Centre Hotel, 123 Queen Street West, Toronto, Ontario, on Monday, the 18th day of June, 1979 at the hour of 3:00 o'clock in the afternoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 1978, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration;
4. To consider and, if approved, to confirm (subject to such amendments and/or additions and/or changes, if any, as may be approved at the meeting) By-law No. 2, being a by-law repealing and replacing paragraph 17 of By-law No. 1 of the by-laws of the Corporation, relating to remuneration of directors. A copy of By-law No. 2 is attached hereto and forms part hereof; and
5. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED the 10th day of May, 1979.

By Order of the Board,

J. A. PATTERSON,
Secretary-Treasurer.

NOTE: Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

The following is a copy of By-law No. 2 referred to in paragraph 4 of the Notice of Annual and General Meeting of Shareholders attached hereto.

BY-LAW NO. 2

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of CHIMO GOLD MINES LIMITED (the "Corporation") as follows:

Paragraph 17 of By-law No. 1 of the by-laws of the Corporation relating to remuneration of directors is repealed without prejudice to any action heretofore taken thereunder and is replaced by the following paragraph:

"17. Remuneration of Directors. The remuneration (exclusive of travelling and other out-of-pocket expenses) to be paid to each director of the Corporation, whether or not he is in receipt of a salary or other remuneration from the Corporation or a subsidiary or affiliate of the Corporation, be and the same is hereby fixed at \$2,500 per annum, payable quarterly, plus \$150 for each meeting of the board of directors, or committee thereof, attended by such director, payable forthwith or as soon as may be convenient following such meeting. In addition, special remuneration may be awarded to any director by resolution of the board of directors in consideration of his providing special services or undertaking any special responsibilities on behalf of the Corporation in addition to the work ordinarily required by the Corporation of a director as such. The confirmation by shareholders of any such special remuneration shall not be required. The directors shall also be entitled to be paid their travelling and other out-of-pocket expenses properly incurred by them in connection with the affairs of the Corporation."

PASSED the 10th day of May, 1979.

WITNESS the seal of the Corporation.

"J. C. Lamacraft"
President

C.S.

"J. A. Patterson"
Secretary-Treasurer

Chimo Gold Mines Limited

INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the Management of CHIMO GOLD MINES LIMITED (the "Corporation") for use at the annual and general meeting of the shareholders of the Corporation to be held on Monday, June 18, 1979 at 3:00 o'clock in the afternoon (Toronto time) in the Dufferin Room, The Sheraton Centre Hotel, 123 Queen Street West, Toronto, Ontario, for the purposes set out in the notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting.

The form of proxy affords each shareholder an opportunity to specify that the shares registered in his name shall be voted in favour of or against the confirmation of By-law No. 2, being a by-law repealing and replacing paragraph 17 of By-law No. 1 of the Corporation, relating to remuneration of directors.

The shares represented by proxies in favour of Management nominees will be voted at the meeting and, subject to the provisions of section 121 of The Business Corporations Act (Ontario), if a choice is specified in the above-mentioned manner in the form of proxy with respect to the confirmation of the matter referred to above, the shares represented by proxies will be voted by such nominees in accordance with the specification made.

IN RESPECT OF PROXIES IN WHICH THE SHAREHOLDERS HAVE NOT SPECIFIED THAT THE PROXY NOMINEES ARE REQUIRED TO VOTE FOR OR AGAINST THE CONFIRMATION OF THE MATTER IDENTIFIED IN THE FORM OF PROXY, THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE CONFIRMATION OF SUCH MATTER.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters not now known to Management should properly come before the meeting the shares represented by the proxies in favour of Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is \$5,000,000 divided into 5,000,000 shares with a par value of \$1 each of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the close of business on June 14, 1979 will be entitled to one vote per share at the meeting.

To the knowledge of the directors and senior officers of the Corporation, the only persons who beneficially own, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation are Calmor Iron Bay Mines (1978) Limited which beneficially owns 500,000 shares, being 14.8% of the outstanding shares of the Corporation, and Central

Patricia Gold Mines, Limited ("Central Patricia") which beneficially owns 1,035,000 shares, being 30.7% of the outstanding shares of the Corporation.

Confirmation of By-law No. 2

This meeting has been called as a general meeting of shareholders for the purpose of confirming By-law No. 2, being a by-law repealing and replacing paragraph 17 of By-law No. 1 of the by-laws of the Corporation, relating to the remuneration of directors. By-law No. 2 must be confirmed by a majority of the votes cast at the meeting.

Up to the present time, the basis upon which directors of the Corporation have been remunerated is \$100 for each meeting of the board of directors, or committee thereof, attended by such directors. In the opinion of management the remuneration provided for in the proposed by-law is more appropriate compensation to reflect the time devoted by directors to the Corporation.

Election of Directors

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the election of such persons as directors of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by Management as directors.

<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Year First Elected or Appointed as a Director</u>	<u>Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at May 10, 1979</u>
Martin P. Connell(1) Chairman of the Board and Director	Chairman of the Board of Conwest Exploration Company Limited (a mining exploration company)	1971	1
Donald J. Hains Director	President, Lurgi of Canada Limited (an engineering company)	1976	1
John C. Lamacraft President and Director	President of Conwest Exploration Company Limited and International Mogul Mines Limited (resource exploration companies)	1973	1
Robert J. Metcalfe Director	Partner, Lang, Michener, Cranston, Farquharson & Wright (Barristers & Solicitors)	1978	1
C. Kelly O'Connor(2)	Vice-President, Exploration and Development of Conwest Exploration Company Limited (a mining exploration company)	—	—

NOTE:

- (1) Central Patricia is an associate of Mr. M. P. Connell. Reference is made to "Voting Shares and Principal Holders Thereof" above for particulars of the shareholdings of Central Patricia in the Corporation.
- (2) Each of the above nominees, other than Mr. O'Connor, has been elected to his present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. O'Connor has been Vice-President, Exploration and Development of Conwest

Exploration Company Limited for the past five years. The Corporation has previously provided assistance to Mr. O'Connor to purchase a house for his own occupation and, since the commencement of the Corporation's 1978 financial year, the maximum amount of such indebtedness to the Corporation was \$34,950, of which \$32,450 remains outstanding. This loan is fully secured, non-interest bearing and is repayable at the rate of \$2,500 per annum.

Remuneration of Management

During the financial year ended December 31, 1978, the aggregate remuneration paid by the Corporation to the directors and senior officers of the Corporation was \$74,020.

Central Patricia pays substantially all of the remuneration of directors and senior officers of certain related companies and is reimbursed by these companies. During the financial year ended December 31, 1978, the Corporation's share of the amount so paid was \$57,820.

Reference is made to the accompanying balance sheet of the Corporation for particulars of indebtedness of a director of the Corporation.

Interest of Management and Others in Material Transactions

The Corporation and other shareholders of HSA Reactors Limited ("HSA") have entered into an agreement (the "Reorganization Agreement") dated January 19, 1979. At the date of that agreement the Corporation owned 12.6% of the issued and outstanding shares of HSA and HSA was indebted to the Corporation in the amount of approximately \$105,000 by way of open account indebtedness. Pursuant to the Reorganization Agreement Ian F. T. Kennedy, a former director and officer of the Corporation, purchased 173,841 shares of HSA from the Corporation for a purchase price of approximately \$39,000. This reduced the Corporation's shareholding in HSA to 3% (on a fully diluted basis). Pursuant to the Reorganization Agreement Mr. Kennedy caused financing to be provided to HSA such that \$80,000 of the indebtedness of HSA to the Corporation was repaid on closing. The cost to the Corporation of the shares of HSA which it sold was \$104,626.

Appointment of Auditors

Management proposes to nominate Thorne Riddell & Co., the present auditors, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. It is intended that the shares represented by proxies in favour of Management nominees will be voted in favour of the appointment of Thorne Riddell & Co. as auditors of the Corporation and the authorization of the directors of the Corporation to fix their remuneration.

DATED May 10, 1979.

